

what it would cost to replace the gallon of gas once it is gone out of the tank and into your gas tank.

That means whoever is setting the price is concerned with uncertainties that are there in the marketplace that will determine the future replacement cost. If there is a geopolitical uncertainty, Iran, Iraq, unrest in Saudi Arabia, instability in Venezuela, whatever it might be, the marketplace will say: We have to have the uncertainty return, we have to have a premium on what it would cost to protect us against the uncertainty because it may well be that supply is suddenly disrupted around the world, and if we are going to have an additional gallon of gas in that service station tank in the future, we are going to have to pay for that uncertainty there, so we will charge an uncertainty premium now.

This is the working of the marketplace. As I have said often, and expect to say again, we cannot repeal the law of supply and demand. We think we can. In Congress we keep passing laws that say we are going to set prices here and there. But whenever we try, all we do is produce one of two results. When we try to repeal the law of supply and demand, when we try to interfere with market forces, we either create a shortage or a surplus.

When we set the price artificially too high in the market, we create a surplus, as everybody wants to get in on the very good price, people want to sell for the highest price. We did that in Congress with respect to silver. We wanted to have silver mined in the United States. So the United States said: We are going to pay so much for silver. It was above the price the market would pay. We opened up silver mines, the Government ended up with a huge surplus of silver piling up in warehouses because we set the price higher than the market would put it.

When we set the price too low, as we have done with gasoline, with oil windfall profits, set the price too low, then we get a shortage; nobody wants to produce for that low price. So we can tell ourselves how wonderful we are. We can say we have the power to set prices by legislation, but if we set them in the wrong places, if we go away from where the market is, the market either gives you a surplus of things we don't need or we create a shortage.

We saw the impact of the shortage during the Carter administration. We all remember the long lines, where we were lined up to get gasoline. There was a shortage. It was artificially created. When Ronald Reagan became President, he said: No, we are going to let the market work. The shortages all went away. The lines went away. Interestingly enough, the prices actually came down in many areas of energy as the market then responded to the reality of demand.

Our problem now is we do not have sufficient supply to bring the prices down. One of the reasons, as the Senator from Texas made clear, one of the

reasons is we do not have the refinery capacity we need. It is all very well and good to pump oil out of the ground, but the oil you purchase out of the ground cannot be put into your car. The oil pumped out of the ground has to be refined into gasoline. If it is not, it sits there accumulating until the refinery capacity can be brought on line.

We know that very well in Utah. We have a tremendous amount of production going on in eastern Utah now. As oil is available, it can come out of the ground. At the worldwide prices for oil now, even though it might be more expensive than \$1.50, with oil selling at \$60 a barrel, \$70 a barrel on the international market, there is money to be made. There is oil to be produced in eastern Utah, but it is sitting there. It is not ending up in anybody's gas tank. It is not helping bring down the price at the pump. What is the matter? We don't have the refinery capacity to refine that particular kind of oil. There are refineries in Salt Lake City. They are operating at 90 percent capacity plus. They are refining oil that comes from Canada, because that particular kind of oil is easier to refine than the oil coming out of eastern Utah. If we could build a refinery in eastern Utah—and the economics are there to justify it—we could bring down the price of gasoline at the pump, because all of that oil would be turned into gasoline.

So why aren't we building new refineries? The regulations that come from the Federal Government are restricting refineries. People who own refineries are doing everything they can to expand them. The refinery capacity is up fairly dramatically, but the number of new refineries has not gone up dramatically. We are pushing to have the limit our ability to refine oil in the refineries we now have.

We are still told the real reason prices are up is because there is a conspiracy. There is price gouging going on. Last week the Washington Post commented on this issue about conspiracy and the people who are deliberately driving up the price of gasoline. If I may quote from the Washington Post editorial entitled "Myths About That \$3.18 Per Gallon":

Multiple investigations by the Federal Trade Commission since 2000 have come up, well, dry. Conspiracy theorists say this lack of evidence is proof that the regulators are in bed with the oil companies. But last year, California's Energy Commission undertook its own investigation of a May 2006 price increase—and found no smoking gun indicating market manipulation. Today's high prices are the result of a collision among consumers' increasing demand for gas, the shortage of oil-refining capacity and 50 states with different regulations that make it hard to trade gas across state lines.

That is the reality. It is a collision of increasing demand for gas, static oil refining capacity, and different State regulations. We should be dealing with that reality. Why aren't we? Back to the editorial:

So why protect consumers from this vapor-phantom? Politics. More than 80 percent

of Americans believe that high gas prices are the result of oil company shenanigans rather than market forces, according to the Opinion Research Corp. So passing legislation against gouging is a bit of theater that allows the political class to avoid the hard work of getting Americans to use less gas.

We engage in political theater all the time around here—that is our business—but occasionally, I would hope we would recognize reality, we would understand the price of gasoline is set by market forces that look at what it will cost to replace that gasoline.

I will make a last point. There would be more certainty about what it would cost to replace that gasoline if President Clinton had not vetoed legislation opening ANWR, making that oil available to us for our domestic supply. One of the things that was said at the time was, that is so far away in the future, that is 10 years away.

Well, it has been more than 10 years since he vetoed that bill. If he had not, we would now have the supply coming down from Alaska, saying we can mitigate the geopolitical uncertainties of oil in foreign countries by having this supply of millions of barrels available in the United States. The manufacturers of gasoline, refiners of gasoline, would say: We have a stable source of supply here within the United States. We need not charge as high an uncertainty premium as we might otherwise do.

There is no question it would have a significant impact on lowering gas prices, if only we had done it. The Congress did it. The President vetoed it. Now the leadership of Congress continues to oppose ANWR. One of the arguments is: That is more than 10 years away.

We did it more than 10 years ago. We need to do it now for the advantage of people 10 years ahead.

This is not to denigrate the good things in the Energy bill before us. This is not to say conservation is not important. This is not to say alternative sources of energy are not important. But this is to say we need to look at the whole picture and recognize we cannot conserve our way into a solution. Just because conservation is a good idea doesn't mean increasing the source of supply is a bad one.

I yield the floor.

The ACTING PRESIDENT pro tempore. The Senator from Connecticut.

Mr. LIEBERMAN. Mr. President, I rise to speak about the energy legislation that will be the topic of the Senate this week. It is critically important. I congratulate the cochairs of the Energy Committee, particularly Senators BINGAMAN and DOMENICI, for the work they have done, along with other committees, including Commerce and the Environment Committee on which I am privileged to serve.

We are dealing with a critical national crisis. In some ways, if we can adopt bipartisan, strong energy security legislation, we will have dealt with the most serious challenge facing our country. Because in dealing with our